

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION**  
**OF SOUTH CAROLINA**  
**DOCKET NO. 2004-212-S**

|                                     |                               |
|-------------------------------------|-------------------------------|
| IN RE: Application of DEVELOPMENT ) |                               |
| SERVICE, INC. For Approval of )     |                               |
| New Schedule of Rates and Charges ) | <b>PETITION FOR REHEARING</b> |
| For Sewerage Service Provided to )  | <b>AND/OR FOR</b>             |
| Residential and Commercial )        | <b>RECONSIDERATION</b>        |
| Customers in all areas Served. )    |                               |

Development Service, Inc., (DSI) respectfully petitions the South Carolina Public Service Commission (Commission) for rehearing and/or for reconsideration of its Order No. 2005-42 in the above-referenced proceeding and represents as follows:

**I. RENTAL OF EQUIPMENT**

A. The order of the Commission fails to recognize the contract service revenue adjustment of \$27,120 by virtue of the receivable due to DSI from Midlands Utility, Inc., (Midlands) for the use of DSI's equipment. In particular, Midlands uses a Caterpillar backhoe and a Caterpillar generator owned by DSI. DSI and Midlands have determined the value of the equipment rental to be \$27,120 and DSI has treated this amount as revenue on its application. DSI requests this Commission to recognize this revenue. DSI would respectfully submit that the Commission was in error in failing to recognize the revenue due to DSI.

B. This record is replete with evidence of the existence of the equipment, its ownership by DSI and its use by Midlands. The value to DSI and its rate payers of

\$27,120 is undisputed in the record. The evidence of record reflects that DSI purchased a Caterpillar backhoe in November 2003 and a Caterpillar generator in October of 2003 (Applicant's response to ORS data request 1.43). DSI incurs interest expense on the purchase of this equipment (Applicant's response to ORS data request 1.29, 1.31). DSI reflects depreciation expense for the Caterpillar backhoe and the Caterpillar generator (Applicant's response to ORS data request 1.32). Midlands is allowed to make substantial use of the equipment. As a result, DSI seeks to have this Commission recognize \$27,120 in revenue for these contract services. See Application, Exhibit 2, page 1 of 4.

C. While Office of Regulatory Staff (ORS) witness Sharon G. Scott testified that she found no justification for recognizing this revenue, she did however recognize the existence of the equipment. As an explicit acknowledgement that DSI's sister companies use the equipment, she made several adjustments to the depreciation schedule to allocate costs of the equipment to Midlands and Bush River Utilities, Inc. Indeed the ORS auditors were able to identify the cost of the Caterpillar generator ( \$37,000) and the cost of the Caterpillar backhoe (\$53,550) (Audit exhibit A-2). Moreover, ORS exhibits acknowledge that Midlands uses both pieces of equipment extensively. Notwithstanding the evidence of record, the ORS has simply refused to recognize the value of benefits Midlands enjoyed by the use of DSI's equipment.

D. The Applicant has exercised its judgment to purchase a generator and backhoe through the offices of DSI and has chosen to rent the equipment to its sister company Midlands. DSI has determined the annual value of \$27,120 for Midlands' use of this equipment which cost DSI \$90,550. Recognizing the revenue will benefit DSI's rate payers, DSI has proposed to include the amount of \$27,120 in its revenue stream

subject to the approval of this Commission rather than raise rates by that amount. The ORS, in the exercise of its judgment, would deny DSI and its rate payers the benefit of these contract services causing DSI to suffer an immediate revenue shortfall and requiring rates to increase further to DSI's rate payers in the future.

E. It is axiomatic that the Commission will so consider adjustments for any known and measurable out-of-test year changes in expenses, revenues and investments, and where an unusual situation exists which shows that the test year figures are atypical, the Commission will adjust the test year data. DSI would respectfully urge the Commission to reconsider its decision to adopt the ORS denial of the treatment of the rental contract services of the Caterpillar backhoe and the Caterpillar generator and approve DSI's treatment in its application of the value of the contract services to Midlands in the amount of \$27,120.

## **II.TAP FEES**

A. The order of the Commission fails to approve the increase in the tap fee requested in the Application. DSI would respectfully submit that the Commission erred.

B. The Applicant has not had an increase in tap fee since before the Parnells' parents acquired the corporation. ORS witnesses testified that they could find no basis for the requested tap fee increase and urged the Commission to disallow the requested increases in tap fees notwithstanding that sufficient justification was provided to ORS and this Commission in the Applicant's responses to ORS data requests, as well as the testimony of the Applicant.

C. The Application provides for a schedule of tap fees based upon the following:

### Schedule of Tap Fees

The “Water Pollution Control Division Guidelines for Unit Contributory Loadings of Wastewater Treatment Facilities (1990)” are incorporated herein by reference. To determine tap fees the following formula is used if the customers’ Bio-Chemical Oxygen Demand (BOD) factor is greater than the BOD factor for a resident:

$$\frac{\text{Total Volume (gpd)}}{400 \text{ (gpd)}} \times \frac{\text{Unit BOD of Customer/100 gal.}}{0.17 \text{ lbs.}} \times \$1,166$$

If the customer’s BOD factor is less than the BOD factor of an equal volume of residential waste, the following formula should be used:

$$\frac{\text{Total Volume (gpd)}}{400 \text{ (gpd)}} \times \$1,166$$

(Application at Exhibit 1, page 3 of 3; see also Applicant’s response to ORS data request 1.16)

At the time of the application, it was anticipated that the total cost of construction of the Bush River replacement plant after closing the existing lagoon was to be \$1,166,000. A tap fee, as here, is designed to recapture a new customer’s proportionate share of the capital invested in the wastewater treatment facility; accordingly, the proposed tap fee was designed to ensure that new users would pay their pro rata share for capacity in the facility. The calculation of the new capacity fee was based on several assumptions. In addition to the total construction invested of \$1,166,000, it also assumes the total treatment capacity of 400,000 gallons per day and an average daily residential use of 400 gallons per day. Accordingly, the Applicant further advised the ORS in its responses to data request of the following formula in calculating the tap fee:

$$\begin{aligned} \$1,166,000/400,000 \text{ gallons} &= \$2.92/\text{gallon} \\ \text{therefore, } 400 \text{ gallons/day per resident} &= 400 \times \$2.92 = \$1,166.00 \end{aligned}$$

Based on the information set out in the Application and the responses to data requests found in the record of this case, ample evidence exists to justify granting the increase in

the tap fee as requested. Increasing the tap fee would lessen the burden of capitalization resting on current rate payers and would provide necessary revenue for the cost of plant expansion by new customers.

D. Therefore, the Applicant would submit that the Commission erred in denying the tap fee increase requested and would request that the Commission reconsider its denial of the requested increase in tap fees.

### **III. CONCLUSION**

Based on the foregoing, the Applicant would respectfully request the Commission reconsider its order No. 2005-42 and grant the Applicant recognition of the amount of \$27,120 contract service revenues and the increase in tap fees requested as in the application.

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